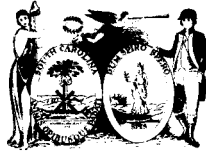


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

March 28, 2005

Ms. Martha Hughey, Assistant Vice President of Reimbursement  
National Healthcare Corporation  
100 Vine Street  
Murfreesboro, Tennessee 37130

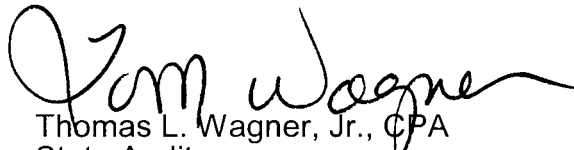
Re: AC# 3-CLN-J0 – National Healthcare Center of Clinton, LLC

Dear Ms. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**

**CLINTON, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-CLN-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2001	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2001 THROUGH DECEMBER 31, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	6
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

# State of South Carolina



## Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 30, 2004

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcare Center of Clinton, LLC, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of National Healthcare Center of Clinton, LLC is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcare Center of Clinton, LLC, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and National Healthcare Center of Clinton, LLC dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 30, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-CLN-J0

10/01/01-  
12/31/02

Interim Reimbursement Rate (1)	\$104.82
Adjusted Reimbursement Rate	<u>102.94</u>
Decrease in Reimbursement Rate	\$ <u><u>1.88</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 27, 2003

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2001 Through December 31, 2002  
AC# 3-CLN-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.08	\$53.97	
Dietary		10.31	10.74	
Laundry/Housekeeping/Maintenance		<u>8.14</u>	<u>9.23</u>	
Subtotal	<u>\$5.18</u>	67.53	73.94	\$ 67.53
Administration & Medical Records	<u>\$1.46</u>	<u>10.01</u>	<u>11.47</u>	<u>10.01</u>
Subtotal		77.54	<u>\$85.41</u>	77.54
<u>Costs Not Subject to Standards:</u>				
Utilities		3.78		3.78
Special Services		.30		.30
Medical Supplies & Oxygen		4.04		4.04
Taxes and Insurance		3.38		3.38
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$89.04</u>		89.04
Inflation Factor (3.80%)				3.38
Cost of Capital				8.69
Cost of Capital Limitation				(.54)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.46
Cost Incentive				5.18
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.89)
Nurse Aide Staffing Add-On 10/01/00				<u>.62</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$102.94</u>

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-CLN-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,285,768	\$ -	\$ 187 (3)	\$2,285,581
Dietary	480,302	-	26 (3)	480,276
Laundry	75,481	-	-	75,481
Housekeeping	172,650	-	-	172,650
Maintenance	131,048	-	26 (3)	131,022
Administration & Medical Records	527,703	-	61,371 (3)	466,332
Utilities	176,190	-	-	176,190
Special Services	13,907	-	-	13,907
Medical Supplies & Oxygen	188,070	-	-	188,070
Taxes and Insurance	177,229	-	18,799 (2) 803 (3)	157,627
Legal Fees	-	-	-	-
Cost of Capital	382,364	3,745 (1) <u>25,618 (5)</u>	2,729 (3) <u>4,423 (4)</u>	404,575
Subtotal	4,610,712	29,363	88,364	4,551,711
Ancillary	10,862	-	-	10,862
Nonallowable	594,293	18,799 (2) 65,142 (3) <u>4,423 (4)</u>	3,745 (1) 25,618 (5)	653,294
Total Operating Expenses	<u>\$5,215,867</u>	<u>\$117,727</u>	<u>\$117,727</u>	<u>\$5,215,867</u>
Total Patient Days	<u>46,573</u>	<u>-</u>	<u>-</u>	<u>46,573</u>

Total Beds 131



**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-CLN-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 53,514	
	Cost of Capital	3,745	
	Other Equity	145,929	
	Nonallowable		\$ 3,745
	Fixed Assets		199,443
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	18,799	
	Taxes and Insurance		18,799
	To remove prior period expense HIM-15-1, Section 2302.1		
3	Nonallowable	65,142	
	Restorative		187
	Dietary		26
	Maintenance		26
	Administration		61,371
	Taxes and Insurance		803
	Cost of Capital		2,729
	To adjust home office costs HIM-15-1, Sections 2150 & 2304		
4	Nonallowable	4,423	
	Cost of Capital		4,423
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-CLN-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	25,618	25,618
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$317,170</u>	<u>\$317,170</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-CLN-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>43</u>	<u>88</u>	
Deemed Asset Value	1,601,578	3,277,648	
Improvements Since 1981	377,298	343,923	
Accumulated Depreciation at 9/30/00	<u>(688,252)</u>	<u>(1,077,581)</u>	
Deemed Depreciated Value	1,290,624	2,543,990	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	74,856	147,551	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	74,856	147,551	
Depreciation Expense	56,391	156,464	
Amortization Expense	-	-	
Capital Related Income Offsets	(10,073)	(20,614)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	121,174	283,401	\$404,575
Total Patient Days (Actual)	<u>15,288</u>	<u>31,285</u>	<u>46,573</u>
Cost of Capital Per Diem	\$ <u>7.93</u>	\$ <u>9.06</u>	\$ <u>8.69</u>

**NATIONAL HEALTHCARE CENTER OF CLINTON, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2000  
 AC# 3-CLN-J0

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.30	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.29</u>	<u>\$9.06</u>
Reimbursable Cost of Capital Per Diem	\$8.15	
Cost of Capital Per Diem	<u>8.69</u>	
Cost of Capital Per Diem Limitation	<u>\$(.54)</u>	

2 copies of this document were published at an estimated printing cost of \$1.34 each, and a total printing cost of \$2.68. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.